

# 2017 FINAL RESULTS ANNOUNCEMENT

13 MAR 2018 HONG KONG



**BUILDING** for  
建構明天 **Tomorrow**

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**Highlights**

**Financial Review**

**Business Review**

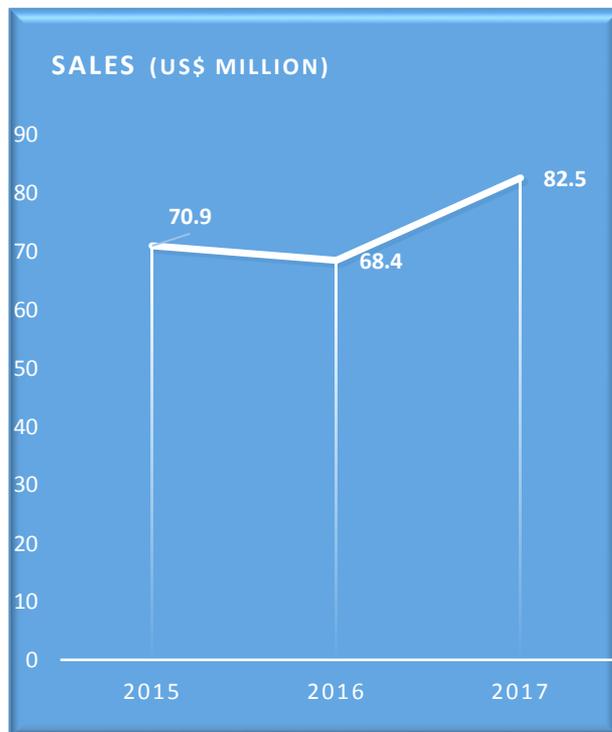
**Outlook**

# Highlights

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- Sales amounted to US\$82.5 million
- Gross profit was US\$29.3 million
- Gross margin was 35.5%
- Net loss was US\$10.3 million
- Loss per share was 0.41 US cent (3.20 HK cents)
- Book-to-bill ratio for the year was 1.1
- The Board resolved not to propose any final dividend for the year ended 31 December 2017

# Performance Charts



Highlights

Financial Review

Business Review

Outlook

# Financial Review - Profit and Loss



(US\$ million)	2017	2016	Variance
<b>Sales</b>	82.5	68.4	+21%
<b>Gross profit</b> <i>Gross margin</i>	29.3 35.5%	23.5 34.4%	+1.1pts
<b>Net loss</b>	10.3	6.9	
(US cents)			
<b>Loss per share</b>	0.41	0.28	
<b>Dividends per share</b>	Nil	Nil	
<b>Book-to-bill ratio</b>	1.1	1.0	

# Financial Review - Financial Remarks

		Key Factors
<b>Sales</b>	US\$82.5m (‘16: US\$68.4m) 	<ul style="list-style-type: none"> <li>• Sales: up 21%</li> <li>• Unit shipments: up 15% YOY</li> <li>• Blended ASP: up 5.0% YOY</li> </ul>
<b>Gross Profit</b>	US\$29.3m (‘16: US\$23.5m) 	<ul style="list-style-type: none"> <li>• Gross margin: 35.5% (‘16: 34.4%)</li> </ul>
<b>Total Operating Expenses</b>	US\$49.7m (‘16: US\$36.0m) 	<ul style="list-style-type: none"> <li>• Product R&amp;D costs:                             <ul style="list-style-type: none"> <li>- US\$34.5m (‘16: US\$21.1m) - up 64.0% YoY</li> <li>- 41.8% of Sales (‘16: 30.8%)</li> </ul> </li> <li>• S&amp;D expenses:                             <ul style="list-style-type: none"> <li>- US\$3.3m (‘16: US\$3.2m)</li> <li>- 4.0% of Sales (‘16: 4.6%)</li> </ul> </li> <li>• Admin expenses:                             <ul style="list-style-type: none"> <li>- US\$11.9m (‘16: US\$11.7m)</li> </ul> </li> </ul>
<b>Finance Income</b>	US\$3.9m (‘16: US\$3.7m) 	<ul style="list-style-type: none"> <li>• Treasury income: US\$1.9m (‘16: US\$3.9m)                             <ul style="list-style-type: none"> <li>- Interest: US\$0.8m; Dividend: US\$0.3m; Disposal gain: US\$0.8m</li> </ul> </li> <li>• Net MTM unrealized fair value gain from treasury investment: US\$2.0m (‘16: loss of US\$0.2m)</li> </ul>
<b>Net Loss</b>	US\$10.3m (‘16: US\$6.9m) 	Increased loss in 2017 of US\$3.4m mainly due to the write-off of inventory in Atmel products of around US\$3m and additional amortization charges on R&D investment of US\$3.5m and partly compensated by the extra government subsidies from the investment of the new NJTC.

# Financial Review - Balance Sheet



(US\$ million)	As at 31 Dec		Variance
	2017	2016	
<b>Total assets</b>	116.2	115.6	
<b>Total borrowings</b>	0.3	0.2	
<b>Shareholders' funds</b>	91.8	101.0	-9.2%
<b>Net cash</b>	23.2	24.5	-5.3%
<b>(HK Cents)</b>			
<b>Shareholders' funds per share</b>	29	32	
<b>Net cash per share</b>	7.3	7.7	

# Financial Review – Net Cash Analysis 2017 vs 2016



Net Cash @31 Dec:	Change
<ul style="list-style-type: none"> <li>US\$23.2m ('17) vs US\$24.5m ('16)</li> </ul>	-US\$1.3m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> <li>Interest and Dividend Received</li> </ul>	+1.1m	<ul style="list-style-type: none"> <li>Net cash Used in Operating Activities</li> </ul>	-10.3m
<ul style="list-style-type: none"> <li>Change in FVTPL</li> </ul>	+17.4m	<ul style="list-style-type: none"> <li>Acquisition of Subsidiaries, net</li> </ul>	-4.0m
		<ul style="list-style-type: none"> <li>Capital Expenditure</li> </ul>	-5.5m

Highlights

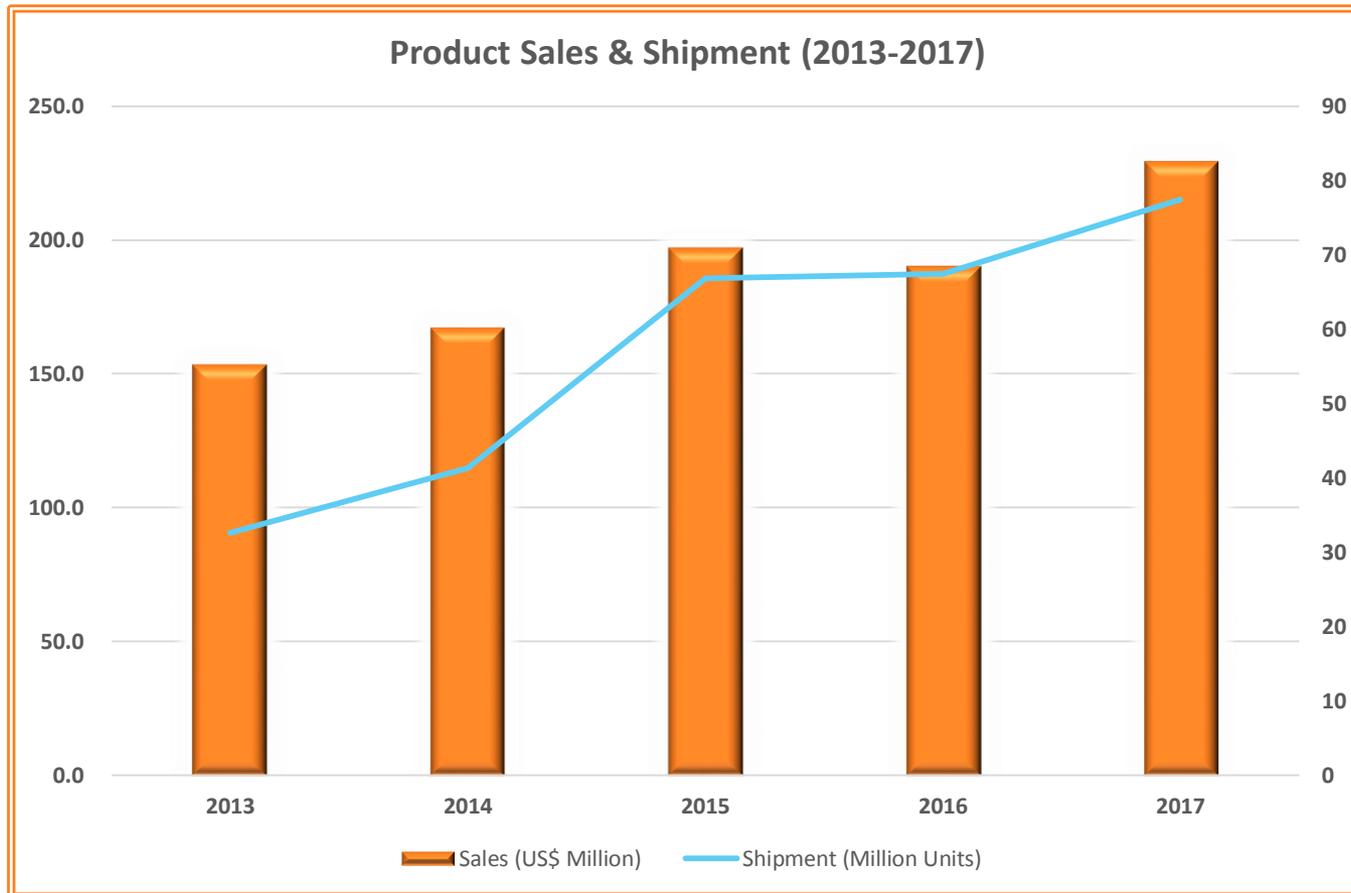
Financial Review

Business Review

Outlook

# Business Review – Sales & Shipments

- 2017 Total Sales: ~US\$82.5 million
- 2017 Total Shipment: ~215.2 million units



# Important Milestone

Set up Solomon Systech (China) Limited (or Nanjing Technology Center) strategically in Nanjing Jiangbei New District

➤ Opening Ceremony: Nov 2017



# Business Review – Main Display

## Main Display



- **Total Sales:** Increased 31% year-on-year to US\$41.3m
- **Touch Controller IC**
  - Scored design-wins and design-in projects with key international brands (smartphones/smart watches/tablets/video game console controllers)
- **Touch & Display Driver Integration (TDDI) IC**
  - For FWVGA LTPS panels: continued revenue contribution
  - Launched breakthrough TDDI for FDH+ In-Cell LTPS panel, high resolution, bezel-less and higher aspect ratio smartphones
  - Designed-in with IDH for narrow bezel FHD+ smartphones
- **TFT LCD DDI (Display Driver IC)**
  - New products, including AMOLED DDI, under development
- **MIPI Bridge IC**
  - Design-win with international notebook brand
- **Large TFT LCD DDI**
  - Double-digit sales growth
  - Designed-in a number of TV projects
  - Enlisted a qualified supplier of a new customer

# Business Review – Advanced Display

## Advanced Display



### ➤ Total Sales:

- Increased 12% year-on-year to US\$41.2 million

### ➤ PMOLED Display Driver IC (DDI)

- Continued to score design-wins leveraging fast-growing wearables, smart home appliances, 4K set-top boxes, healthcare devices, etc.
- New product for high resolution color display of wristbands started mass production in 2H

### ➤ Bistable DDI

- Business growth of ESL applications: leveraging trends of unmanned stores and supermarket/store automation
- Extended applications (keyboards/ scoreboards/ tags for logistics asset management)

### ➤ Micro LED DDI & OLED Lighting Driver IC

- Started mass production

Highlights

Financial Review

Business Review

Outlook

# Main Display – Outlook

## Mobile Display IC

### ➤ TDDI

- Design-wins from 2017 to start mass production
- Launch new TDDIs for FHD+ and HD+ infinity screen with 21:9 aspect ratio
- Reach out to IDH for top brand smartphones to boost growth

### ➤ Touch Controller IC

- Achieve more design wins, especially for AMOLED touch controller IC
- Launch new products: for foldable AMOLED panels

### ➤ TFT LCD DDI

- Continue development of AMOLED DDI

## Large Display Driver IC

### ➤ Current Customer

- Target to increase share in customer's business

### ➤ New Customer

- Target to achieve design-wins

# Advanced Display – Outlook

## PMOLED Display Driver IC

- **Capture Market Trends**
  - Launch new products with top brands for color wristbands
  - Develop other new products, e.g. PMOLED TDDI
- **Extend Applications to Increase Revenue Stream**
  - Smart handheld devices, smart home appliances, etc.

## Bistable Display Driver IC

- **Capture Growing ESL Market**
  - Increasing adoption and supermarket/store automation trend
- **Extended Applications**
  - Capture more design-wins

## Others

- **Micro LED DDI & OLED Lighting Driver IC**
  - Continue to contribute to revenue stream

# Summary

## 2017 Summary

- Total sales, unit shipments & gross profit increased
- Net loss due to:
  - One-off write-off of obsolete inventories
  - Technological investment (R&D cost and related amortization expenses)
- Important Milestone: set up Solomon Systech (China) Limited (or Nanjing Technology Center) strategically in Nanjing Jiangbei New District

## Looking Ahead

### *Building For a Better Tomorrow with:*

- Clear strategies for growth
- Strong and focused global team
- Strategically located business and technology centers
- Exciting pipeline of new products launched and under development

# Thank You

**Solomon Systech (International) Limited**

**Stock code: 2878**

**[www.solomon-systech.com](http://www.solomon-systech.com)**